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C O N F I D E N T I A L SECTION 01 OF 02 TEL AVIV 002370

SIPDIS

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TAGS: [PREL](#) [PGOV](#) [PINR](#) [IS](#)
SUBJECT: LIVNI HAS LESS THAN TWO WEEKS TO FORM A
GOVERNMENT, AND MAY NEED ALL OF IT

Classified By: Political Counselor Marc J. Sievers. Reason 1.4 (B/D)

11. (C) Summary: Tzipi Livni's target of producing a coalition by the date the Knesset reopens for its winter session on October 27 lost momentum when Shaul Mofaz (Kadima) and Rafi Eitan (Pensioners) decried the idea of a "narrow coalition" comprising just 59-60 MK's of Kadima, Labor, Meretz and the Pensioners. Kadima insiders believe Livni's "narrow coalition" gambit was merely a tactical threat to demonstrate strength and determination vis a vis Shas negotiators, but the suggestion of a Kadima "rebellion" destroyed Livni's leverage and the likelihood that she will be able to showcase a new coalition on the day the Knesset reopens. Although the press reports that Mofaz has held "secret" meetings with Shas leaders, Livni's allies in Kadima do not view Mofaz as a real rebel. Despite Livni's tactical setback, the odds are still better than even that she will form a broader coalition that incorporates Shas, Meretz, most of the pensioners and perhaps even the Degel Hatorah faction of United Torah Judaism (UTJ) parliamentary group before November 3, when her last two weeks' of coalition-building time is up. End Summary.

SHAS

12. (C) Shas continues to demand upwards of one billion shekels for "kitzba'ot" or "family allowances" as the price that will bring them into the coalition. Livni has reportedly offered 600 million NIS to date, but a Kadima MK told poloff October 22 that there is little doubt within the party that she will ultimately meet Shas' demand. For the moment, Kadima negotiators have reportedly sought to package the allowances as a lump sum that will be made to families with more than four children. Kadima would condition this allowance solely on the salary of the father, a condition that would reduce the benefit to large Arab families, whose male head-of-household typically earns a salary while the ultra-Orthodox males who study Torah do not. Shas spiritual leaders are reportedly in favor of doing a deal now on this basis rather than wait for the results of new elections that could weaken their political leverage; however, Shas political leaders are wary of serving as the arbiter of a coalition that leans to the left (when their constituency tends to the right). Moreover, a Likud contact told poloff that Netanyahu, should he win early elections, is prepared to restore allowances for large families provided the additional money is allocated on an equal basis (i.e., the same amount of money per additional child). In the past, Netanyahu's reforms as finance minister curtailed allocations that increased disproportionately with each additional family member. Nonetheless, the Likud remains a "more natural fit" for Shas, in the words of a Kadima MK. Rabbi Ovadia Yosef will make the ultimate decision.

MERETZ

13. (C) Meretz will likely join the coalition even if Shas comes on board making various stipulations about Jerusalem, according to Meretz contacts. The same Meretz contacts think Jerusalem will most likely be the excuse Shas uses to explain why it does not join a coalition if it does not win the budgetary concessions it has demanded. Meretz Party leader Haim Oron is often a sounding board for Livni on financial matters and on the Palestinians, and she would welcome his presence in the coalition, according to one Meretz source. Meretz MK Yossi Beilin would like to be considered a replacement for Justice Minister Friedmann, but neither Barak nor Livni appear ready to push Friedmann out.

PENSIONERS

14. (C) The Pensioner Party leader, Rafi Eitan, remains eager to strengthen his hand following his efforts to restore unity to the Pensioners, a party that split into two factions earlier this year. His efforts are complicated by personality conflicts and residual legal challenges to restoring the party structure, but ultimately he will bring six, if not seven, MK's to the coalition, according to a Pensioners staffer. Since Ehud Barak already wrung some pro-pensioner concessions from Kadima, the Pensioners bloc is now looking for additional health benefits for the elderly as its price for joining the coalition.

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